



# Committee On Finance

**Max Baucus, Ranking Member**

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## **NEWS RELEASE**

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Contact: Laura Hayes  
202-224-4515

### **Baucus Secures Commitment to Strengthen Highway Trust Fund**

(WASHINGTON, D.C.) U.S. Senator Max Baucus, ranking member of the Senate Finance Committee, today received assurances from both U.S. Senate Majority Leader Bill Frist (R-Tenn.) and U.S. House Speaker J. Dennis Hastert (R-Ill.) that by early next year legislation will be enacted to strengthen the Highway Trust Fund. The 2.5 cents that currently goes into the General Revenue Fund for each gallon of ethanol-blended gasoline (gasohol) used, as well as the proceeds from repealing the 5.2 cents from the ethanol tax exemption, will be instead sent to the Highway Trust Fund, Hastert and Frist stated today.

"We've achieved a major victory for the health of our nation's infrastructure and highway system," Baucus said. "For several years now I have worked with the highway community to hold the Highway Trust Fund harmless with respect to the ethanol subsidy. While it is good agriculture and energy policy to encourage alternative fuels, it should not be the Highway Trust Fund, and therefore the nation's transportation system, that bears the burden of the ethanol subsidy. I thank Leader Frist and Speaker Hastert for their commitment. "

Under current law, the excise tax on gasoline is 18.4 cents per gallon and the excise tax on gasohol is 13.2, due to a partial ethanol tax exemption. An additional 2.5 cents for every gallon of ethanol-blended gasoline is transferred from the Highway Trust Fund into the General Revenue Fund.

Under the agreement reached today, the 2.5 cents per gallon on gasohol that is currently being deposited into the general fund would be redirected to the Highway Trust Fund. According to the Congressional Budget Office (CBO), this would add approximately \$830 million annually to Highway Account revenues between FY 2004 and FY 2009.

In addition, the 5.2 cents per gallon ethanol incentive would be changed into a credit against federal income tax, which would come out of the general fund rather than the Highway Trust Fund. CBO estimates that this would add just over \$1.6 billion annually to the Highway Account.

Senator Frist today highlighted the agreement in a statement:

"I would like to extend my gratitude to you, Senator Baucus for working together with the Vice President, the Speaker of the House and myself to reach a compromise on the ethanol issue in the energy bill conference agreement. As per the agreement, I would like to reiterate our commitment regarding the portions of the ethanol issue, which are not currently in the energy conference agreement. In the next highway bill, we will make certain that the 2.5 cents that

currently goes into the General Fund, as well as the proceeds from repealing the 5.2 cents from the ethanol tax exemption, are credited to the Highway Trust Fund. "

In addition, Speaker Hastert issued a press release issues today, reaffirming his commitment to the agreement:

"Clearly, we need adequate funding to make the necessary investments for our future highway needs. I pledge to work closely with Chairman Young and Chairman Bill Thomas of the Ways and Means Committee to make certain that the 2.5 cents that currently goes into General Fund from the gas tax, and the proceeds from repealing the 5.2 cents from the ethanol tax exemption, be credited to the Highway Trust fund. This additional revenue should help close the gap when it comes to critical highway funding."

The nation's major transportation legislation, the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) extension is due to expire on February 29, 2004. Baucus expects that the ethanol Highway Trust Fund agreement reached today will be enacted at that time.

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